

# MARKET REPORT

Office  
Miami-Dade Metro Area

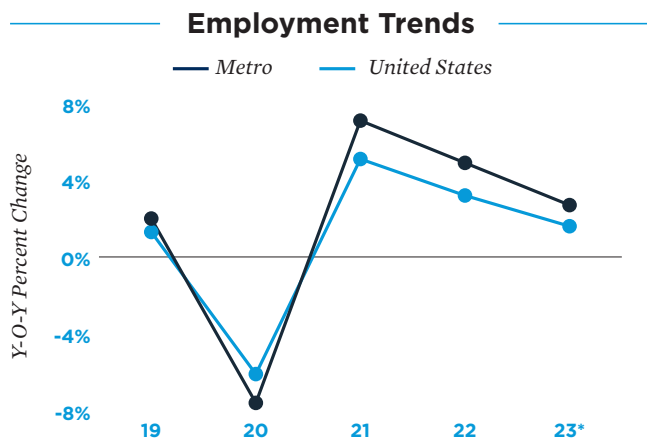
IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

4Q/23

## Strong Employment Landscape and Competitive Rents Bolster Miami's CBD Office Outlook

**Job growth in office-using sectors stabilizes fundamentals.** Over the 20-month period ending in August, employers within industries that are traditionally heavy office space users grew local staff counts by 8.8 percent through the addition of 26,600 roles on net. These gains accounted for roughly 30 percent of overall job creation, allowing the local unemployment rate to stand below 2 percent during the final six months of this stretch. Coupled with improving encouragement of hybrid and in-person attendance policies, Miami's net absorption total during the four-quarter period ending in June reached the fifth-highest measure among major U.S. metros. In turn, office vacancy aligned with its immediate pre-pandemic level at 11.9 percent, 100 basis points below its long-term average prior to 2020.

**Remarkable momentum Downtown.** During the yearlong stretch ending in June, Miami recorded the largest compression to CBD vacancy among major U.S. metros amid a near decade-high net absorption total here. Receding 340 basis points, the rate fell to 14.8 percent, its lowest point since 2008. The area's average asking rate, which is one-third that of neighboring Brickell, has and will continue to support corporate relocations. A number of sizable move-ins are already on the horizon. Between midyear 2023 and the end of 2024, Blue Legacy Ventures, Innovation Refunds, and Fortress will occupy a collective 158,000 square feet of office space here, indicating sustained demand from larger firms.



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Office 2023 Outlook



**35,000  
JOBS**  
*will be created*

### EMPLOYMENT:

Miami continues to improve upon its strong labor market over the remaining five months of 2023, albeit at a slower pace amid fewer job seekers. By year-end, the local job base will have increased by 2.7 percent.



**1,150,000  
SQ. FT.**  
*will be completed*

### CONSTRUCTION:

Supply additions will exceed the metro's trailing decade-long average for the fourth consecutive year in 2023, increasing local stock by 1.1 percent. The 830 Brickell project headlines this development.



**10  
BASIS POINT**  
*increase in vacancy*

### VACANCY:

Lifting marginally to 12 percent, Miami's vacancy rate will stand below all major U.S. metros with at least 100 million square feet of stock. This will be 110 basis points below its local long-term average dating back to 2007.

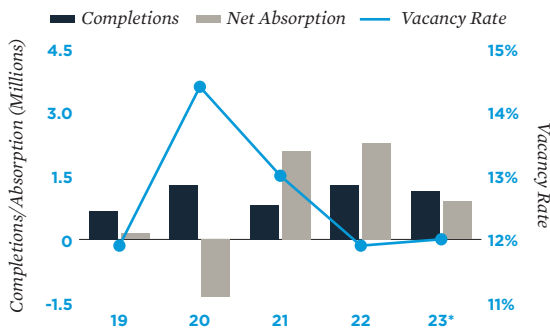


**6.0%  
INCREASE**  
*in asking rent*

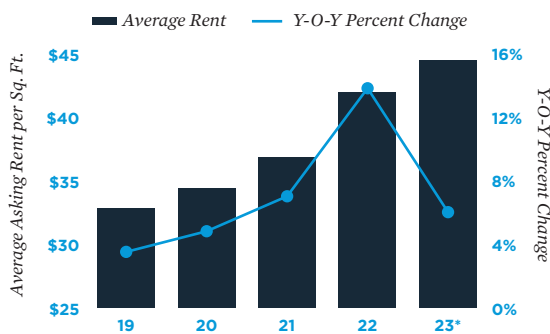
### RENT:

The pace of rent growth will continue to surpass historic norms this year, following a 21.7 percent gain across 2021 and 2022. This year's increase will elevate the average asking rate to \$44.45 per square foot.

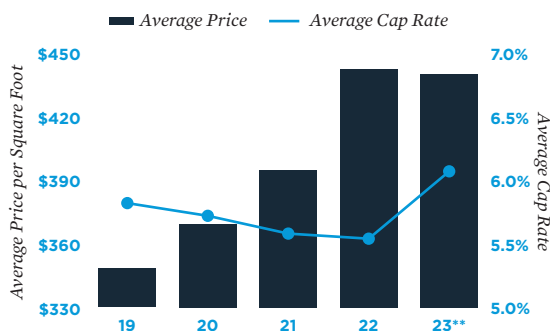
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

**IPA Office**

**Al Pontius**

Senior Vice President, Director

Tel: (415) 963-3000 | apontius@ipausa.com

For information on national office trends, contact:

**John Chang**

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | jchang@ipausa.com

Price: \$250

## 2Q 2023 - 12-Month Period



### CONSTRUCTION

**1,020,000 sq. ft. completed**

- The completion of 518,000 square feet between July and September of last year was the second-largest quarterly influx since before the pandemic and helped increase total stock by 1 percent over the year ended in June 2023.
- More than half of second quarter 2022 completions were delivered in Aventura, increasing inventory here by 11.4 percent year-over-year.



### VACANCY

**0 basis point change in vacancy Y-O-Y**

- At 11.9 percent, vacancy in Miami-Dade at the end of June matched West Palm Beach as the tightest among major Florida metros. The rate also ranked as the sixth lowest across all major U.S. markets.
- Despite a 130-basis-point rise over the year ended in June, Northeast Dade County's vacancy rate was well below its 2019 measure at 7.9 percent.



### RENT

**9.6% increase in the average asking rent Y-O-Y**

- The second-fastest pace of rent growth nationally over the annual stretch entering July lifted the local average asking rate to \$43.94 per square foot.
- Despite an increase to Brickell's Class A vacancy rate, the measure was 190 basis points below its long-term average in June. This allowed its average asking rate to reach \$87.06 per square foot, up 29.1 percent year-over-year.

## Investment Highlights

- Elevated debt costs and more conservative underwriting reduced transaction velocity during the second quarter of 2023, a theme that continued into the third quarter according to preliminary data. A higher average cap rate among recent transactions, however, signals some buyers and sellers are still coming into agreement as prices adjust. Over the yearlong period ended in June, the measure elevated to 6.1 percent, up 50 basis points against the same period last year.
- Although trading volume over the first eight months of 2023 has been well dispersed across the metro, deals in the Kendall area are accounting for a larger share of the marketwide total. Home to more than one-fourth of trades during this time frame, listings here benefit from local Class A and Class B/C vacancy rates that each stood below all other metro submarkets with at least 3 million square feet of stock.
- Strong Class A operations in Downtown and potential interest rate stability may improve investor activity among those deploying higher levels of capital. Entering July, upper-tier vacancy here dropped by 340 basis points, below its long-term average by the same margin.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics